Performance-Based Contracting (PBC) (Program Level)

Performance-Based Contracting & PBBE
(Program Level)

- **Performance-Based Contracting (PBC)**
  - Emphasizes the use of measurable performance requirements in defining contract requirements
  - The contractor is told what, not how

- **Performance-Based Business Environment**
  - A set of eight guidebooks that enable contractors to make improvements in their product and process performance, by giving them more control of their technical and management processes

Performance-Based Contracting

- **PDRR/EMD**
  - Process validation
  - Performance/incremental verifications, metric based
- **Production**
  - Performance-Based payments
    - Payments can be event or time-based
- **Other Aspects**
  - Use of IPTs, cooperative effort with contractors
  - Use of a Risk Management process and risk sharing

Performance-Based Payments (C-17)

- **Performance Based Payments**
  - ***Production*** - Verification of event completion
  - Flexible Sustainment - Verification of metrics
- **Performance of Surveillance**
  - ***Production*** - Physical progress assessments and production data analyses are performed
  - Flexible Sustainment - Data monitored for each metric to assure all criteria has been met
  - Surveillance Plans - One book processes; operating instructions

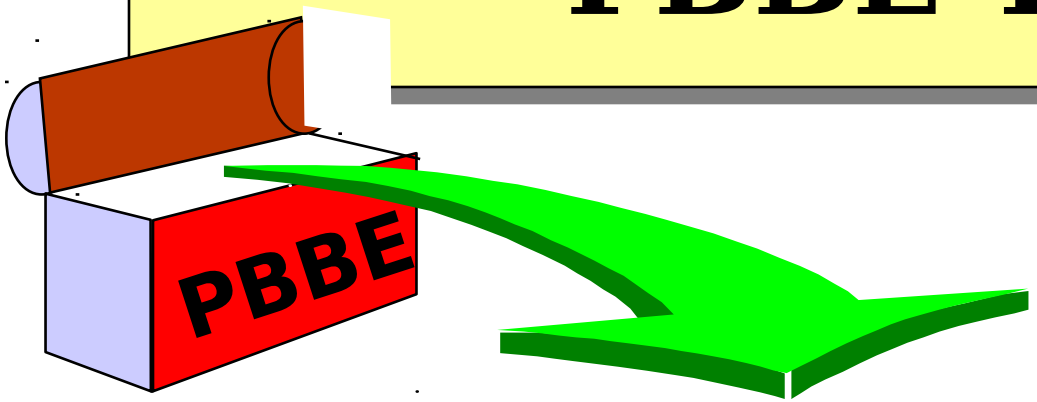
Performance-Based Payments (C-17)

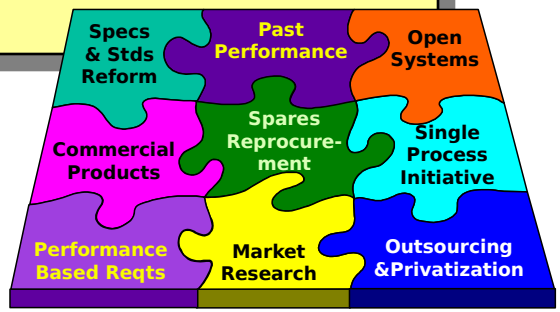
- **January Events**
  - Event 3 P45 completion of Spars: 8 Jan forecast
  - Event 4 P43 completion of wing half subassemblies: 16 January forecast
  - Event 1 P52 Main Landing Gear bulkhead frames-rough machining: 23 January forecast
  - DD250 P-37 Aircraft Delivery: 26 January forecast

Performance-Based Contracting

- **Guidance - Dr. Perry's memo of 29 June 94**
  - Resulted in creation of the Performance-Based Business Environment (PBBE) Guides
  - Was applicable to the DoD aeronautical community
  - Was being promulgated to other DoD business communities: Space, Ships, C4I
- **Guides now available in the DoD Deskbook**
  - (see note page)

PBBE Tools





* ***Integrated PBBE Guide***
* Risk Management Pamphlet
* Flexible Sustainment Guide
* Performance Based Product Definition Gui
  Joint Service Guide Specifications
* ***Key Supplier Process Handbook***
* Contractor Performance Assessment Repo
* PRAG Guide

*** Available in DoD Deskbook**

Performance-Based Business Environment (Integrated Guide)

- **PBBE has five essential elements**
  - Performance-based product/process requirements
  - Excellent **systems engineering** and engineering management practices
  - Supplier excellence
  - **Risk management**
  - Reduced government resources and cost

Performance-Based Business Environment (Integrated Guide)

- **Program Acquisition Strategies**
  - Program Management
  - Contract
  - Support
  - **Technical**
  - Financial

- System definition requirements
- Verifiable performance requirements
- Verified/qualified design
- Incremental verification to manage risks
- Type/management of shared data bases
- If/when to conduct technical interchange mtgs
- Formal milestone technical reviews

Performance-Based Business Environment (Key Supplier Processes Handbook)

- **Processes in handbook**:
  - Program & Data Management; Engineering
  - Procurement & Subcontract Mgt; Quality
  - Manufacturing; Logistics

- **Engineering Elements**:
  - Systems Integration; Requirements Analysis
  - Functional Analysis; Design Synthesis
  - Systems Verification; Systems Analysis & Control

Processes on Contract

- **Requiring Processes on Contract (Longuemare Letter 9/18/97)**
  - Standard management approaches or manufacturing processes can’t be put on contract without a waiver
  - Mandatory for all Major Defense Acquisition Programs; preferred approach for new systems
  - Each acquisition executive shall establish a process for implementing this guidance

Processes on Contract

Standardization Newsletter (Dec '97)
Q&A for Requiring Processes on Contract

- **Contractor <u>can</u> be required to possess certain management and process capabilities**
  - "It's critical to **know & understand** the contractor's management and manufacturing processes"
  - "It's critical to ensure the contractor has processes in place that the government **feels confident** will achieve our performance requirements"
  - "Working through **IPTs**, you should be in a position to determine if processes are **meeting performance requirements**, and if not, make necessary changes"

Trip Report on Field Use of PBC/PBBE (2-6 Feb 1998)

- Asked question: **Does PBC mean DCMC is no longer needed in plant?** Some responses:
  - Emphasis has shifted to a process focus using IPTs
  - Acceptance strategy is jointly designed
  - DCMC required to validate processes to assure performance
  - Contractor autonomy depends on maturity, ability to meet requirements
  - CAOs are the honest brokers, giving buying offices risk assessments needed to make major judgements

Performance-Based Contracting & PBBE (Program Level)

- **DCMC Engineering Role**
  - Be familiar with PBC concepts and PBBE guides
  - Understand concept of performance-based payments
  - Develop review methods for engineering & logistics systems and processes
  - Verify and validate process performance
  - Monitor performance using TPMs or other metrics
  - Determine system/process risk
  - Work within the IPT environment to assist contractor and buying office in meeting performance goals